

The City of Danville has one of three municipally-owned gas systems in the Commonwealth of Virginia. The system was formed in 1875 and ranks 161st nationally in terms of customers served by a distribution company. The City manufactured gas until 1950 when it began to purchase gas from Transcontinental Gas Pipeline Corporation (TRANSCO). Danville was TRANSCO's first pipeline customer. The distribution system includes approximately 300 miles of gas mains, serving approximately 17,000 customers.

The Gas Fund has been balanced for FY02/03 without a rate increase. However, it is projected that retained earnings will be reduced by approximately \$938,274 and the contribution to the General Fund reduced by \$224,398. The contribution from the Electric Fund has been increased by the same amount in order to maintain level funding to the General Fund.

Total gas sales are projected to continue the recent “no-growth” trend. A decrease in revenues is a result of lower gas prices and lower sales.

Operation and maintenance expenses (net of depreciation) increased approximately \$80,000 or approximately 2.1% reflecting a continuing commitment toward providing reliable distribution services. Capital expenditures include continued funding for the Cast Iron Main Replacement Program at approximately \$1.0 million per year.

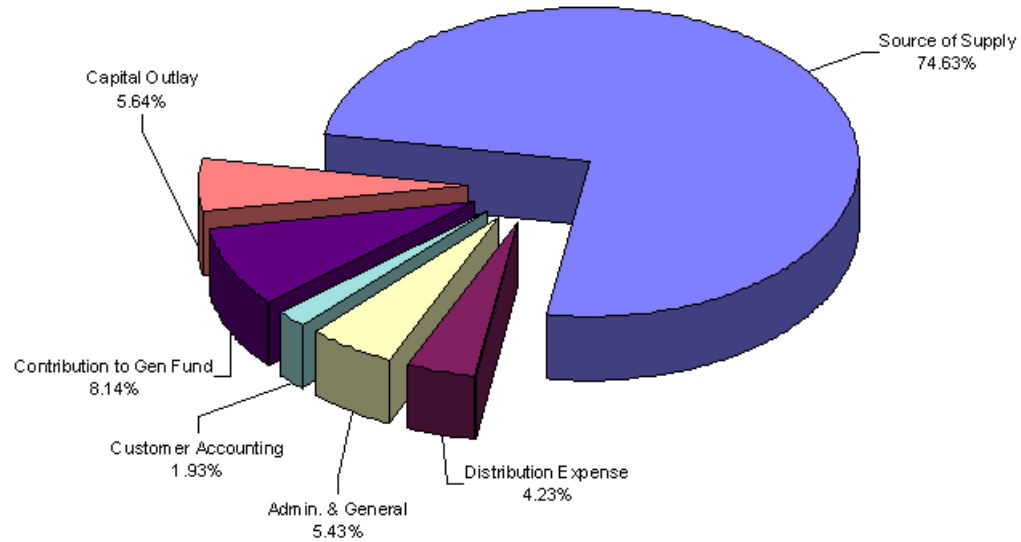
The contribution to the General Fund is projected to be approximately \$2.4 million, which is consistent with contributions from the fund in recent years. This contribution to the General Fund represents a fair return to our “stockholders”.

The Danville Utilities Commission reviewed and approved the proposed Gas Fund operating budget.

Calculation of Contribution To (From) General Fund			
		F/Y 01/02	F/Y 02/03
Revenues		\$ 38,453,486	\$ 28,811,128
Total Operating Expenses		(35,054,351)	(26,039,351)
Net Operating Income (Loss)		\$ 3,399,135	\$ 2,771,777
Add:			
Depreciation		595,000	660,000
Deduct:			
Debt Service Principal		191,762	179,764
*Capital Expenditures from Current Operating Funds		1,736,921	1,714,803
Net Income After Adjustments		2,065,452	1,537,210
Contribution from Fund Balance		-	938,274
Contribution To (From) - General Fund		\$ 2,065,452	\$ 2,475,484
*Capital Projects:			
Regular Capital Improvements		\$ 696,921	\$ 674,803
Cast Iron Main Replacements		1,000,000	1,000,000
Gas Main Extensions - Annexed Area		40,000	40,000



## EXPENDITURES BY FUNCTIONS



	Council	City Mgr.	Dept			
	Adopted	Recommended	Requested	Budgeted	Actual	Actual
Expenditures by Function	FY 02-03	FY 02-03	FY 02-03	FY 01-02	FY 00-01	FY 99-00
Source of Supply	\$22,696,010	\$22,696,010	\$22,696,010	\$31,871,243	\$35,095,868	\$20,592,433
Distribution Expense	1,285,774	1,285,774	1,285,774	1,238,076	1,159,412	1,196,301
Customer Accounting	585,945	585,945	585,945	599,296	534,398	518,456
Admin. & General	1,651,386	1,651,386	1,651,386	1,537,498	1,481,154	1,418,464
Transfer To (From) General Fund	2,475,484	2,475,484	2,475,484	2,699,882	1,649,882	1,430,617
Capital Outlay	1,714,803	1,714,803	1,714,803	1,736,921	615,584	492,830
<b>Total</b>	<b>\$30,409,402</b>	<b>\$30,409,402</b>	<b>\$30,409,402</b>	<b>\$39,682,916</b>	<b>\$40,536,298</b>	<b>\$25,649,101</b>